

CAPITALISM

**...OUR
CHILDREN'S
HERITAGE**



LITHO IN U.S.A.

By CAROL SAUNDERS

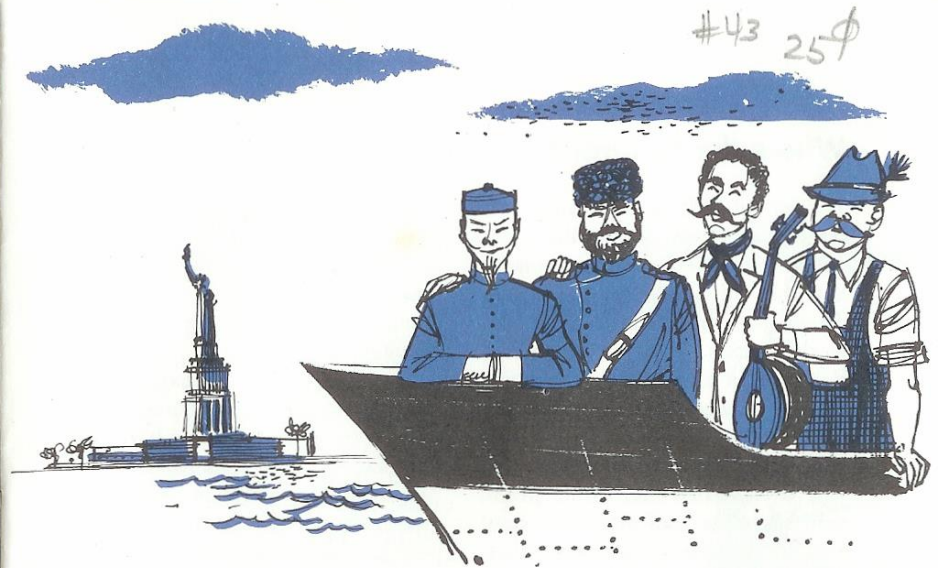
Carol Saunders is a former Los Angeles stockbroker who also lectured in Southern California on economic subjects. She now devotes her time to writing.

Nikita Khrushchev created quite a furor not long ago when he predicted that our grandchildren will live under socialism. "We will bury you," the Russian leader asserted as he foretold the death of capitalism.

What are the prospects of America's turning into a socialist state? What system of government will our children and grandchildren live under?

This booklet shows clearly why America was founded and why it is great, why socialism will never triumph over capitalism, why Khrushchev was wrong, why capitalism is truly our children's heritage.

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THE STORY OF AMERICA is so outstanding, when viewed alongside the recorded history of mankind, it would almost seem to be a fairy tale which should begin "Once upon a time. . ."

Significantly, it began as a new world—not only in the sense of new territory but, even more important, a new world where oppressed mankind could come to freedom and opportunity. And come they did—from all corners of the earth. For the first time in history the spirit of man was unshackled and there developed a way of life and a standard of living hitherto unknown.

Today we find our world engaged in a gigantic struggle for the minds and loyalties of men. We are told by some that our way

of life is wrong and, through subtle propaganda, we are being brainwashed into rejection of the efforts of our forefathers.

Our enemies tell us, and the world, that we have achieved our standard of living "because we have more natural resources than other nations." Or, "because of the resourcefulness of the American individual!" Or, "because the 'warmongers of Wall Street' have defrauded the people and have built their factories with money obtained from an excessive profit system." And so on.

This is the propaganda which it is hoped will divorce us from our freedom and will take from our children their rightful heritage.

So let us explode the myths! What are the facts?

Where the Natural Resources Are

First of all, every American should come to know that our country does not have an unusual amount of natural resources. There are many nations of the world which have much more. Both China and India, which are known throughout the world for their poverty, have hardly scratched their resources.

It is estimated that China probably has more coal and more iron ore, for instance, than any other country except Russia—and yet this coal and this iron ore stay in the ground. Russia today has two times the territory per person, and two times the natural resources per person, that we have—and yet only an estimated fifth of our standard of living!

While it is true that we Americans like to think of ourselves as resourceful, nevertheless we recognize that we are not the only resourceful people in the world. We are not a breed of men dropped onto this earth from another planet. Our forefathers came from various parts of the world, but primarily from Europe. If they accomplished these wonderful things here, rather than in their native land, could it not be because here they were provided with the golden key—opportunity?

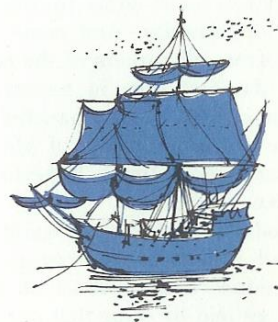
But it is the “warmongers of

Wall Street” who are favored with the greatest abuse from the zealots of communism, so perhaps we, as Americans, should give our closest attention to this phase of their propaganda.

What, exactly, is capitalism, and why should our enemies pour upon it their most vicious hatred?

Webster defines capitalism as “an economic system in which the ownership of land and natural wealth, the production, distribution, and the exchange of goods, and the operation of the system itself, are effected by private enterprise and control under competitive conditions.”

But perhaps a more graphic description is given by Dr. Howard Kershner, president of the Christian Freedom Foundation, in this little story which he sometimes uses in his lectures.

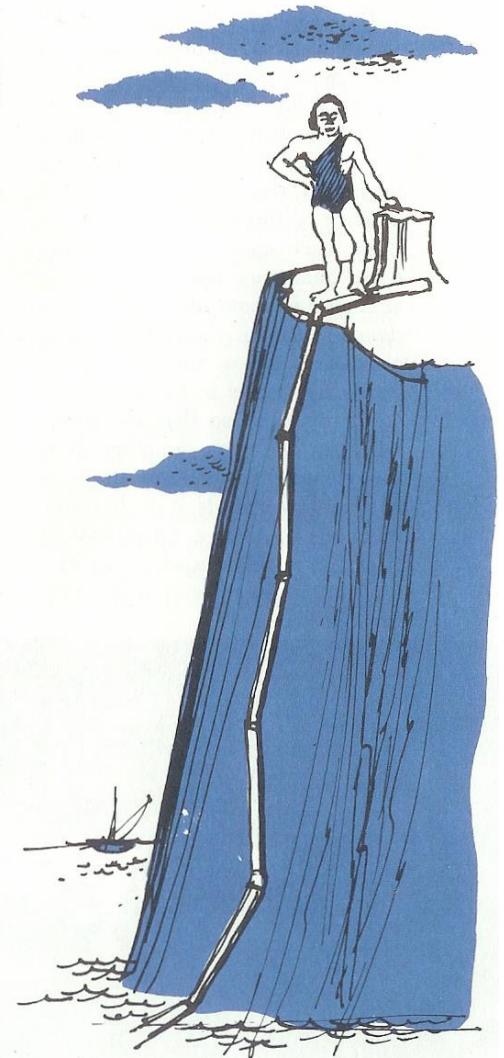


Capitalism: a Story of Improvement

He asks us to imagine a primitive village situated high on the banks of a river. The people here eke out a living by hunting and fishing, a task which consumes practically all of their time. But because all water needed in the village must be pulled up from the river, they must turn aside from their hunting and fishing for a portion of each day in order to carry this water in heavy earthen jugs up the banks of the river. It is a tiresome, time-consuming task.

There is one among them, however, who is more determined than the others and has a little more initiative. Once in awhile this man gets enough food ahead to last him for a half day or so without extra work, and he spends this time hollowing out some bamboo poles. He then lays a pipeline to the river and rigs a crude pump, so that the water will run into his hollow poles and come in a little stream to the village. Now, the people may set their earthen jugs underneath his spigot and get their water without toiling and carrying these heavy loads.

Of course he charges them a little toll for that privilege; they have to bring him a radish or a few kernels of grain or something once in awhile in order to pay a return for the privilege of catch-



ing the water under his spigot. He has become a capitalist, and he's earning a profit.

But—he has saved these people the enormous labor of carrying their water from the river. That leaves a lot of their time free to use for hunting, fishing and other pursuits, so the standard of living begins to rise as a result of the activity of this capitalist.

As time goes on, this exceptional man has more leisure time and spends some of it building a dam across the river. He flattens out some stones and rigs up a crude mill wheel to harness power from the river so that the stones will turn one upon the other. Now the villagers bring their grain to him and he grinds it in his mill. Formerly it took a great deal of time for them to crack it up in a kind of crude mortar and pestle arrangement.

Now they all have even more free time. They are paying a little toll, of course, for grinding their grain, but small in comparison to the service rendered. And again the standard of living rises in the village as a result of the initiative and enterprise of this man. He benefits by a commission or profit from the activities he has initiated, but in relation to the service rendered, it is small.

Soon other men see what this capitalistic-minded friend is doing, and one man goes out into the forest and domesticates some wild animals and rents them to other members of the village; another develops a plow and rents it to members of this little primitive community. Now they can cultivate much more land than formerly. The standard of living is rapidly rising due to the various services these men have organized

and pursued because of profit.

But suppose there had been men in the village who had said, "We should not allow this man to keep his inventions and profit by them; all developments should be the property of the community." Who among them would then have made the tremendous effort to develop some other labor-saving device, only to have it taken from him? And what would then have happened to the standard of living?

An analogy between this little story and the conflicting economic systems of our world today may easily be drawn.

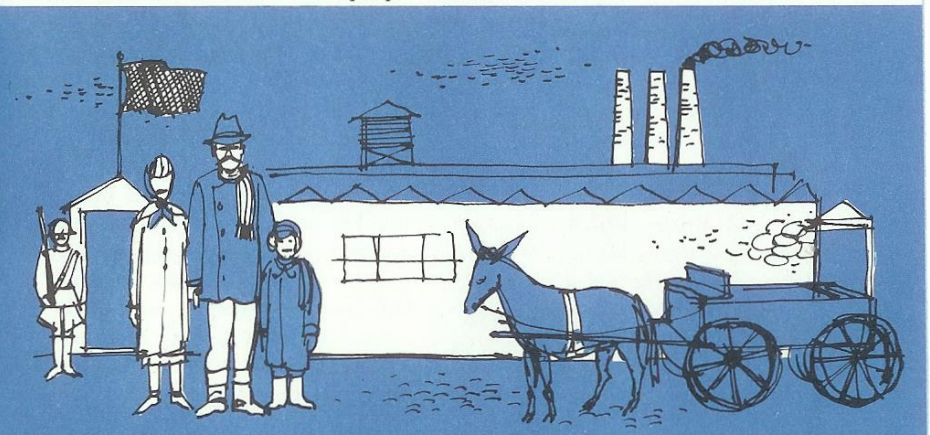
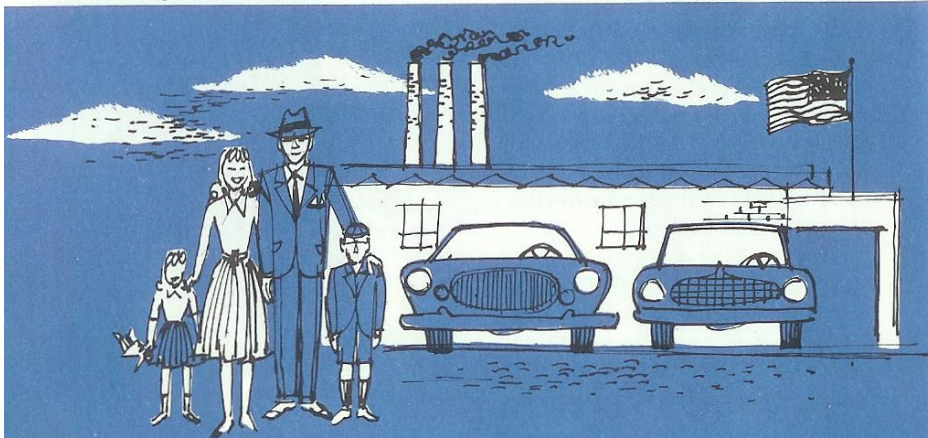
Two Forms of Government

In the socialist or communist countries, a man may see giant factories with much modern equipment. His masters assure him that all of this is *his* prop-

erty; that it is simply held in trust for him and administered by the state.

Ownership of this type could never remain satisfactory indefinitely because sooner or later man sees the fallacy of this arrangement. If it is *his* factory, why does it not produce goods which he and his family want and need? His housing is inadequate, his clothing is inadequate, in many cases his diet is inadequate, and only rarely can he possess the luxuries which are considered commonplace in a capitalist society.

He must work long hours to earn considerably less than what would be considered sub-standard wages in the United States. The only labor unions available to him are political unions which work not for him but for the preservation of the tyranny which enslaves him.



There is little or no opportunity to save (accumulate capital) but, if through self-denial he does manage to set aside a small amount of money, what can he do with it? There is no real estate available for him to buy; it already belongs to the state. There are no stocks to buy, for all business enterprises belong to the state. The only bonds available to him are those issued by the state, which pay a rate of interest considerably less than he is losing annually to inflation caused by government waste.

This being the case, where is the opportunity and where is the hope of this man—not only for himself but for his descendants?

In the United States also, as in the socialist-communist countries, a man may see giant factories with modern equipment. But here the analogy ends—for in America these corporations belong to the people not just in theory, but in fact. These businesses are engaged in the mass production of things which we, the people, want and need—things which, because of this mass production, have been brought within the price range of the vast majority of our populace.

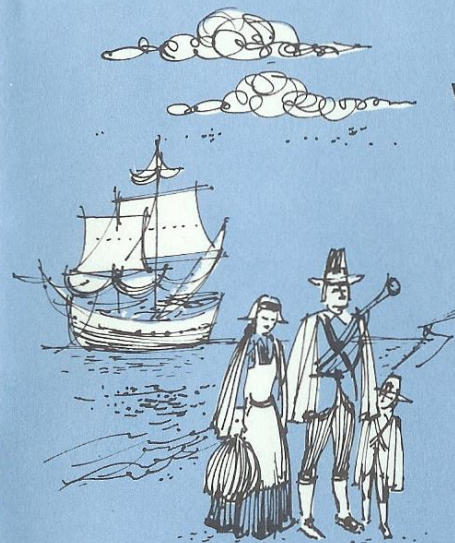
As Americans, we revere our Constitution. But how often do we pause to think that our Constitu-

tion and our free enterprise system are tied together: one cannot long exist without the other!

We believe in our Constitution, but we are half-hearted in our defense of the system of private enterprise—also known as “capitalism”—which has been our benefactor. Just as people in generations before us have tended to do, we look around today and assure ourselves that opportunity such as existed under our system in the past is no more. And, like Rodgers and Hammerstein in their comic song from *Oklahoma*, we say “We’ve gone about as far as we can go. . . .”

A closer look, however, will show that this is decidedly untrue. The system which provided freedom and opportunity for our forefathers still provides freedom and opportunity for us today, and will provide freedom and opportunity for our children tomorrow, if we will re-examine the basic laws which made this all possible.

In the days before America, man lived without hope of bettering his condition in life because, not only was his body kept servile, but his mind was also shackled. Opportunity belonged only to the strong—who, in many cases generations before his birth, had seized the power to rule.



Why America Was Founded

The early settlers of our nation came to these shores primarily to escape persecution of one type or another—but, in all cases, persecution which was either directly or indirectly fostered by the existing governments in the lands from which they migrated.

Because of this, our first citizens—the founders of our nation—determined that, here in this new land, they would establish a government which would not unduly interfere in the lawful pursuits of its people. Bitter experience had taught our forefathers the lessons to be learned from Dr. Kershner's story, and thus was laid the basis for our private enterprise system.

In the beginning, ours was a primarily agricultural economy and most of the necessities of life were produced within the family unit.

As towns and cities grew, trading increased and the people began to depend more and more upon the common “market place”—a place where they could barter goods which they had made for those made by others. From the trading posts grew stores which specialized in different products.

As a business prospered, its owner might feel that he would like to expand this business and,

IN CONGRESS, JULY 4, 1776.

The unanimous Declaration of the thirteen united States of America.

When in the Course of human events, it becomes necessary for one People to dissolve the political bands which have connected them with another, and to assume among the Powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent Respect to the Opinions of Mankind requires that the Reasons which impel them to the Separation should be stated to the World, and that they should be published in the most public manner, that all who wish to bless the posterity of Mankind may be apprized of the Motives and Intentions of the Delegates of the thirteen united States of America.

We hold these truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness. That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed, that whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its Foundation on such Principles, and organizing its Powers in such Manner, as shall seem them most likely to effect their Safety and Happiness. Prudence, in such Cases, shall dictate the most proper Measures to be taken in Order to bring them to a speedy Conclusion.

in order to raise the money—or “capital”—for this expansion, he might take in “partners.” This, then, is the beginning of today’s corporation.

For in order to effect expansion of an existing business, or to establish a new one, the originators of that business have several choices open to them as to the manner in which necessary capital may be raised. They may obtain bank loans, private loans, or—in some cases today — government loans; they may issue bonds (which are interest-bearing certificates, usually secured by a mortgage on the physical assets of the business involved), or they may issue and sell various classes of stock.

While loans, whether in the form of bonds or individual notes, represent an indebtedness of the company, stock always represents ownership. Even one share of stock gives its owner a proportionate interest in each and every asset of that company. Therefore, when the originators of a business issue and sell stock, they are in effect taking in partners.

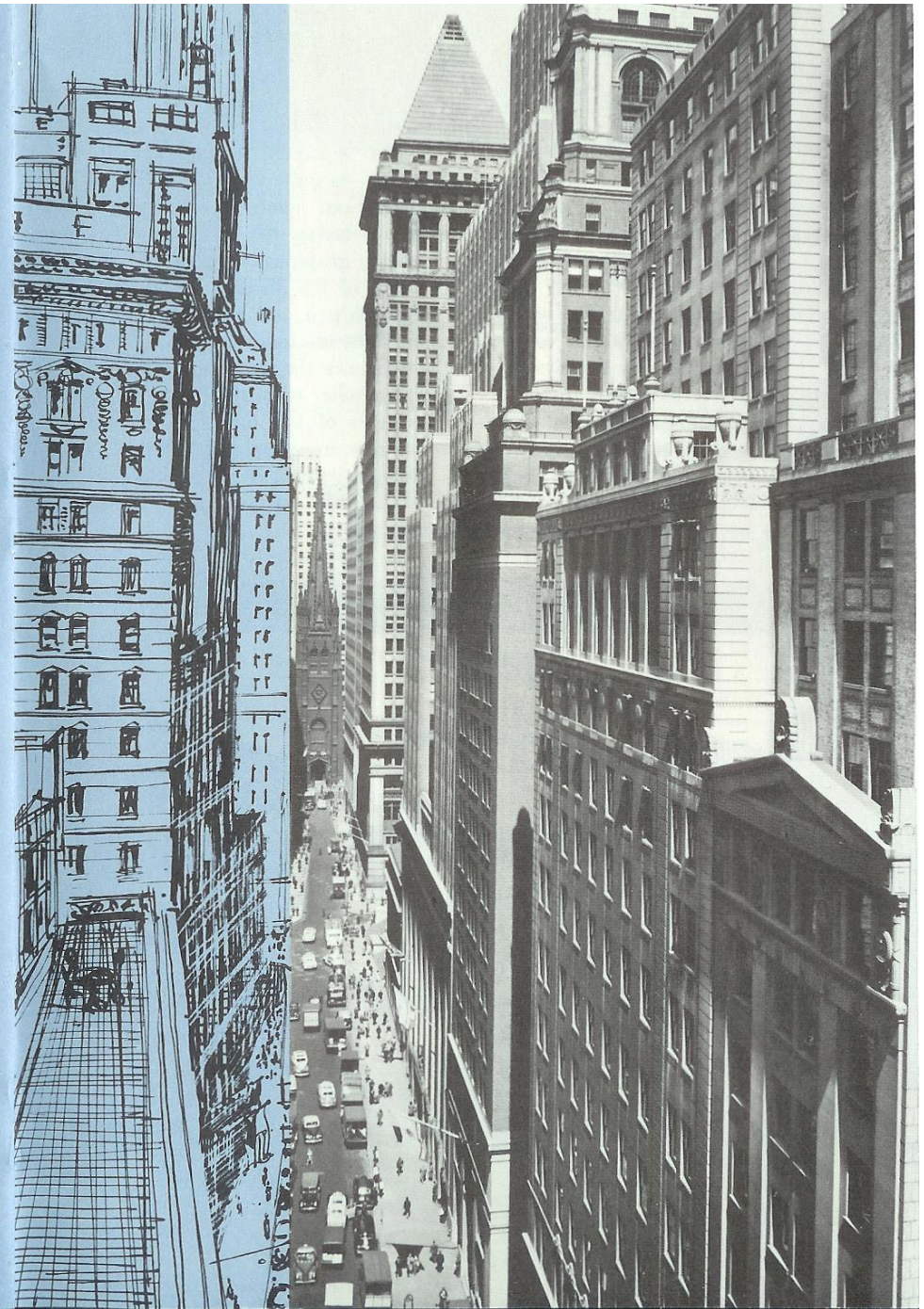
The Beginnings of Public Ownership

The first public trading of securities in our nation was that of bonds issued for the construction

of roads. During our early days bonds, and later stocks, were bought and sold in the banks, and the term “over the counter market” began. This trading was so called because, just as the term implies, all stocks and bonds were bought and sold over a counter in a bank.

Such an arrangement, it is easy to see, was not favorable to widespread ownership of these new businesses being established, or old businesses being expanded, as the case may be. And so, as our nation started to grow and the need for a steady flow of capital was recognized, it became apparent that, just as our first settlers had looked to a common market place for the exchange of their goods, there must now be a common market place for the bartering of capital which was, and is, vital to the expansion of a growing economy. Thus were the beginnings of “Wall Street.”

Contrary to the impression left by socialist-communist propaganda, “Wall Street” does not represent the entire securities market in the United States. Actually, besides the vast over-the-counter market which still exists (though now in the brokerage houses rather than in the banks), there are quite a few stock exchanges other than our famous Big Board—or New York Stock Exchange.



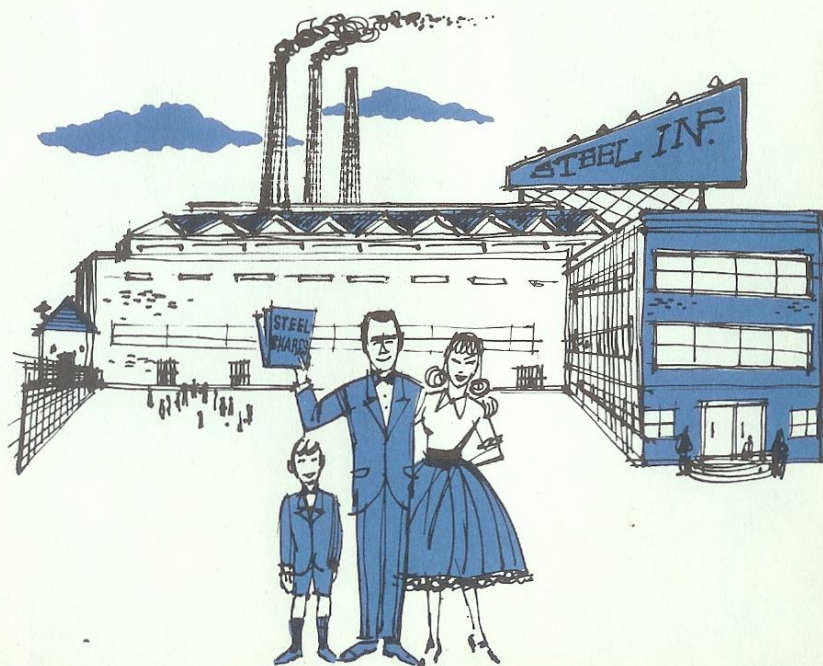
Since this one is our largest market place for securities, however, and since it is located on the corner of Wall and Broad Streets in New York City, "Wall Street" has become the common term most often used to describe our market places for the stocks and bonds of various concerns which comprise a great portion of our system of private enterprise.

People throughout the world—and even to some extent in our own country—are led to believe that most of our large corporations are owned by the "wealthy few." This is not true—nor does it in any way approach the truth.

For the truth is that the owner-

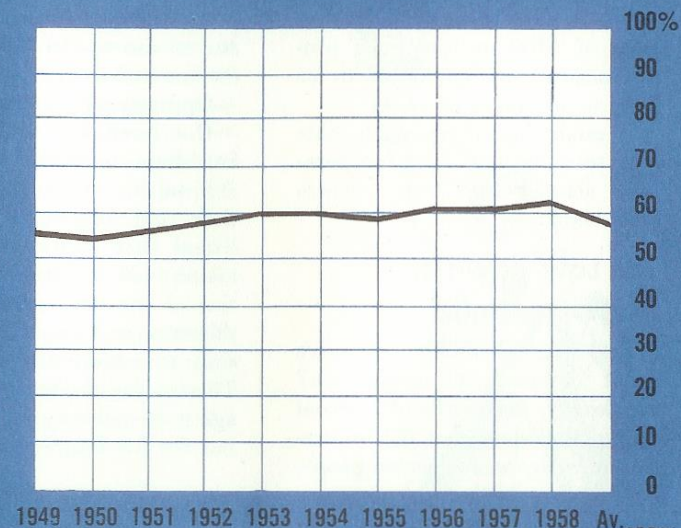
ship of stocks—(and, remember, stocks represent proprietary interest)—is quite widespread. There have been many statistics published during the past few years which graphically illustrate the extent of the distribution of stock ownership in our country. One of the most impressive of these statistics shows the great and increasing number of people with annual incomes of less than \$6,000 who are now investing their savings in private enterprise to ensure the continuing expansion of a free economy.

It is possible for anyone in the United States to become an owner of one of our corporations—big or

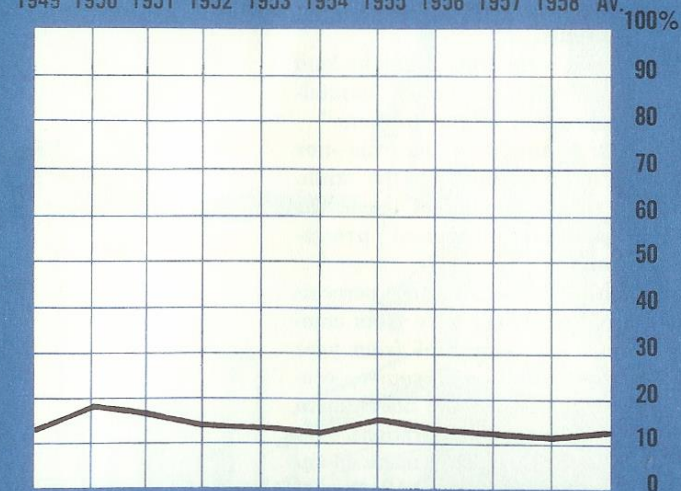


PROFITS* AND WAGES† AS A PER CENT OF NATIONAL INCOME

Wages



Profits



†Includes employer contributions for social insurance

*Before taxes

Source: U. S. Dept. of Commerce

small—in most cases for an investment of \$100 or less. Such proprietorship may be had with as little as one share of stock!

It might be interesting to note that some of our large corporations actually have more owners than employees.

The Low-down on Excessive Profits

And what about the “excessive profit system” of capitalism? Shockingly, the results of a recent Gallup Poll show that the impression of many well-educated people in America is that our business enterprises maintain fantastic annual profits.

If this were true, it might lend validity to the charges of “capitalist oppression of the workers.”

But, again, it is not true—nor does it even approach the truth. It is simply another of the myths of socialist-communist propaganda.

While, obviously, the percentage of profit will vary from company to company and from year to year—because, of course, economic conditions do not remain static—American corporations, over the past 10 years, have made an annual profit of only about 12 per cent of the national income.

On the other hand, the proportion of income which has been paid to workers as wages repre-

sents, over this same period, an annual average of 67 per cent of the national income.

Oppression? You decide.

Our forefathers endured untold hardships to leave to us, their descendants, a heritage of freedom and opportunity. We are proud that under our system it matters not to what economic station of life one is born—for with diligence and ingenuity it is possible to achieve any desired goal. Therein lies the hope of the average man—not only for the present, but for his future generations.

Today, we in America are the keepers of the light in a world of growing darkness; but we must recognize that no man can remain loyal to that which he does not understand. We should seek for ourselves the truths about the values of a free enterprise system and a free nation, and we should teach these truths and these values to our children.

For freedom and opportunity are embodied in our economic system called capitalism—and this is justly and proudly our children's heritage.

